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S/LM Response For Carver Briefing re military and economic situation in South Vietnam

1. Communist and South Vietnamese Combat Forces

	<u>VC/NVA</u>	<u>RVNAF (ground forces)</u>
27 January 1973	150,000	320,000
1 December 1973	190,000	320,000

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2. Population Control (percent of total population living in A and B categories of HES)

27 January 1973	76%
1 October 1973	83%

3. Road security has improved since 27 January, and although we cannot statistically quantify the improvement, more roads appear open now than at the time of the ceasefire.

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25X1 For George Carver Briefing -- Council on Foreign Relations

The government of South Vietnam was able to overcome major price problems attendant on rapid mobilization and warfare during 1965-1969; and -- with major economic reforms -- brought the annual rate of price increases down to 14% by the end of 1971. These reforms also resulted in an increase of exports, expansion of private savings in the banking system and larger flows of revenues to the central government. Since the Communist offensive in the spring of 1972, however, the economy has been plagued with a general recession that has meant a drastic slowdown in industrial production and a dearth of investment. Moreover, tight domestic supply conditions have combined with soaring import prices and uncertainty about future levels of foreign aid to result in a resurgence of inflation to some 60% during 1973.

In recent years government policies have favored substantial rises in rural incomes. Greater incomes have accrued to the farm sector primarily as a result of increases in the relative prices of agricultural commodities. At the same time government policy has traditionally kept the prices of agricultural inputs (e.g., fertilizer, pesticides, pumps, etc.) at relatively low levels. These factors and the government's land reform policy have increased incomes to individual farmers and stimulated rural investment. For example this is reflected in the Mekong Delta where by mid-1973 rice farming is estimated to be 25%-50% more profitable than in 1969.